

Message Text

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ORIGIN NEA-10

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USIA-06 AGR-05 AID-05 CIAE-00 COME-00 INR-07 IO-13

LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CIEP-01

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DRAFTED BY NEA/AFN:DLJAMESON:PAW

APPROVED BY EB:JGREENWALD

NEA/AFN:WSWEISLOGEL

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FM SECSTATE WASHDC

TO AMEMBASSY ALGIERS

C O N F I D E N T I A L STATE 103423

E.O. 11652: GDS

TAGS: EGEN, UNCTAD

SUBJECT: US APPROACH TO UNCTAD IV

1. IN THE ABSENCE OF CHARGE MAADINI, WHO IS TRAVELLING WITH BOUARFA GROUP, EB ASSISTANT SECRETARY GREENWALD CALLED IN ALGERIAN FIRST SECRETARY MEKIDECHE APRIL 27 TO CONVEY A PRELIMINARY OUTLINE OF US THINKING ON THE PROSPECTS FOR UNCTAD IV IN NAIROBI.

2. ASSISTANT SECRETARY GREENWALD BEGAN BY POINTING OUT THAT THE US VIEWS UNCTAD IV IN THE CONTEXT OF THE CONSTRUCTIVE ATMOSPHERE ESTABLISHED DURING THE 7TH UNGA SPECIAL SESSION AND CIEC AND WANTS TO MAINTAIN THE COOPERATIVE SPIRIT ESTABLISHED DURING THESE AND OTHER RECENT INTERNATIONAL MEETINGS. IN THIS WAY IT IS HOPED THAT A RETURN TO THE CONFRONTATIONAL SITUATIONS OF THE PAST CAN BE AVOIDED.

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3. MR. GREENWALD THEN OUTLINED THE ISSUES WHICH THE U.S.

BELIEVES ARE OF GREATEST IMPORTANCE AND INTENDS TO EMPHASIZE IN NAIROBI. FIRST AMONG THESE IS THE QUESTION OF COMMODITIES. THE U.S. BELIEVES THAT A COMPREHENSIVE PROGRAM FOR DEALING WITH THIS PROBLEM IS NECESSARY. HOWEVER, THE BEST APPROACH IS NOT TO DEAL WITH ALL COMMODITIES AT

ONCE BUT TO ESTABLISH A TIMETABLE FOR DISCUSSION OF EACH COMMODITY SEPARATELY TO DETERMINE THE APPROPRIATE MEANS (PRODUCER-CONSUMER AGREEMENT, BUFFER STOCK, ETC) FOR DEALING WITH IT. THE U.S. ALSO BELIEVES THAT THERE IS A NEED TO INCREASE THE PRODUCTION OF RAW MATERIALS BY LDC'S AND IS CONSIDERING A PROPOSAL FOR CREATION OF A FACILITY (CAPITALIZED INITIALLY AT 1 BILLION DOLLARS) TO PROMOTE INVESTMENT IN THE PRODUCTION OF METALS AND MINERALS IN LDC'S. A PRINCIPAL FUNCTION OF THIS FACILITY WOULD BE TO ACT AS A THIRD PARTY TO REASSURE BOTH LDC'S AND INVESTORS THAT AGREEMENTS WOULD BE CARRIED OUT FAIRLY BY BOTH SIDES. IT MIGHT ALSO BE USED FOR THE FINANCING OF BUFFER STOCKS.

4. A SECOND MAJOR AREA OF U.S. INTEREST IS THE TRANSFER OF TECHNOLOGY. THE U.S. IS WILLING TO CONTINUE THE DISCUSSION OF AN INTERNATIONAL CODE ON TRANSFER OF TECHNOLOGY BUT ALSO WANTS TO FOCUS ON THINGS THAT CAN BE DONE NOW. IN PARTICULAR THE U.S. WANTS TO ENCOURAGE AN IDEA THAT IMPRESSED DEPUTY SECRETARY ROBINSON ON HIS RECENT VISIT TO ALGERIA - THE ESTABLISHMENT OF TECHNICAL INSTITUTES FOR THE TRAINING OF PERSONS IN LDC'S SO THAT THEY WILL BE PREPARED TO USE THE NEW TECHNOLOGY TO BE IMPORTED.

5. A THIRD FOCUS OF U.S. INTEREST IS THE CRITICAL FINANCIAL SITUATION IN WHICH CERTAIN LDC'S FIND THEMSELVES BECAUSE OF THE INCREASE IN OIL PRICES AND THE REDUCTION IN RAW MATERIALS PRICES. THE U.S. DOES NOT BELIEVE THAT AN OVERALL DEBT MORATORIUM WOULD SERVE THE INTERESTS OF LDC'S BECAUSE THIS MIGHT DISCOURAGE PRIVATE LENDERS WHO ARE ACTIVE IN SOME LDC'S. HOWEVER, THE U.S. IS PREPARED TO CONSIDER THE QUESTION OF DEBT RESCHEDULING ON AN INDIVIDUAL BASIS AND TO ENCOURAGE AN INCREASE IN GRANT
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AID AND IN THE SIZE OF THE IMF SPECIAL TRUST FUND.

6. IN RESPONSE TO A QUESTION FROM MEKIDECHE MR. GREENWALD SAID THAT THE U.S. DOES NOT VIEW INDEXATION AS AN ANSWER TO THE TERMS OF TRADE PROBLEM SINCE INDEXATION POSES MANY TECHNICAL PROBLEMS AND MIGHT ALSO BE A SPUR TO INFLATION. HOWEVER, THE U.S. HOPES THAT AT UNCTAD IV IT WILL BE POSSIBLE TO AVOID EMPHASIS UPON QUESTIONS SUCH AS THIS

WHERE AGREEMENT IS NOT POSSIBLE AND TO FOCUS UPON AREAS WHICH ARE RIPE FOR PROGRESS. IN RESPONSE TO ANOTHER MEKIDECHEQUESTION MR. GREENWALD NOTED THAT THE U.S. IS ALSO ATTEMPTING TO IMPROVE THE ACCESS OF LDC PRODUCTS, ESPECIALLY SEMI PROCESSED RAW MATERIALS, TO MARKETS IN INDUSTRIAL COUNTRIES. THIS IS A MAJOR U.S. OBJECTIVE IN THE MULTILATERAL TRADE NEGOTIATIONS NOW GOING ON IN

GENEVA. ALSO, HE NOTED THAT THE USG INTENDS TO EXAMINE ADDITIONAL PRODUCTS THAT MIGHT BE ADDED TO THE GSP LIST. SISCO

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